

Message Text

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ACTION TRSE-00

INFO OCT-01 NEA-10 ISO-00 AGRE-00 CEA-01 CIAE-00 COME-00

DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

ITC-01 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01 AF-08

ARA-06 EA-07 EUR-12 XMB-02 OPIC-03 /123 W

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FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC PRIORITY 3422

INFO AMCONSUL JERUSALEM

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E.O. 11652: N/A

TAGS: PFOR, ETRD, IS

SUBJECT: 1976 TAX REFORM ACT: BOYCOTT INFORMATION

REFS: (A) STATE 250007, (B) TEL AVIV 6768, (C) 75 TEL AVIV 7796,

(D) 75 TEL AVIV 4418, (E) 75 JERUSALEM 1022,

(F) DOC'S MAY 1975 OVERSEAS BUSINESS REPORTS

1.. AS NOTED REF D, GOI'S BOYCOTT PRACTICE STEMS FROM TRADING WITH ENEMY LAW WHICH PROHIBITS TRADE WITH ARAB STATES. HOWEVER, SOME ARAB PRODUCTS REACH ISRAEL VIA THE OCCUPIED TERRITORIES AND A LARGER AMOUNT OF ISRAELI GOODS (UNMARKED) GO TO ARAB COUNTRIES BY THE SAME ROUTE. ISRAEL ALSO REQUIRES CLAUSE ON BILLS OF LADING FOR ISRAEL STATING QUOTE THIS VESSEL IS NOT TO CALL AT OR ENTER THE TERRITORIAL WATERS OF ANY EGYPTIAN, YEMENI, JORDANIAN, SAUDI ARABIAN, IRAQI, LEBANESE, SYRIAN, OR KUWAITI PORT PRIOR TO UNLOADING IN ISRAEL UNLESS THE SHIP IS IN DISTRESS OR SUBJECT TO FORCE MAJEURE. TRANSSHIPMENT IS PERMITTED. END QUOTE. ISRAEL BANKS MAINTAIN THAT THEY REQUIRE THIS LIMITED OFFICIAL USE

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CLAUSE BECAUSE OF RISK OF CONFISCATION AND NOT RPT NOT

FOR RETALIATION AGAINST ARAB BOYCOTT. ISRAEL DOES NOT, TO BEST OF EMBASSY'S KNOWLEDGE, CONDUCT ANY SECONDARY BOYCOTT ACTIVITIES.

2. WITH REGARD TO PARA 3(D) OF REF A, ISRAELIS ROUTINELY EXCLUDE ARABS, INCLUDING ARABS WITH ISRAELI CITIZENSHIP, FROM DEFENSE SECTOR EMPLOYMENT (AS DISCUSSED REF C). HOWEVER, EMBASSY AWARE OF ONLY ONE INSTANCE WHERE ISRAELI FIRM REQUESTED PROSPECTIVE CONTRACTOR IN U.S. TO CERTIFY THAT ITS EMPLOYEES AND EMPLOYEES' RELATIVES WERE NOT OF ARAB ORIGIN. WHILE GOI GAVE ASSURANCES ON THAT OCCASION THAT THE ACTION WAS A MISTAKE AND WOULD NOT HAPPEN AGAIN, WE ASSUME THAT IN CASE OF A U.S. FIRM OPERATING IN ISRAEL, AS OPPOSED TO SUPPLY FROM THE U.S., FIRM WOULD BE REQUIRED TO EXCLUDE PERSONS OF ARAB ORIGIN FROM ITS WORK FORCE IF IT WISHED TO BID FOR DEFENSE CONTRACTS. WHILE THIS PRACTICE IS OBVIOUSLY DISCRIMINATORY, ISRAELIS FEEL IT IS ENTIRELY JUSTIFIED ON SECURITY GROUNDS.

3. WE DO NOT HAVE SUFFICIENT INFORMATION ABOUT TAX REFORM ACT TO REACH JUDGMENT ON WHETHER PRACTICES CITED ABOVE VIOLATE BOYCOTT PROVISIONS OF THE ACT. HOWEVER, FACT THAT ISRAEL IS STILL IN STATE OF WAR WITH ARAB COUNTRIES IS AN OBVIOUS EXTENUATING CIRCUMSTANCE.
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